



Memorandum

February 23, 2005

TO: Honorable Jim McDermott
House Ways and Means Human Resources Subcommittee
Attention: Nick Gwyn

FROM: Tom Gabe
Specialist in Social Legislation
Domestic Social Policy Division

SUBJECT: Analysis of Effects of Social Security on Child Poverty

This memorandum responds to your request for an analysis of the effects of Social Security on child poverty. You were especially interested in the effects of Social Security disability and survivor benefits on child poverty, in addition to the effects of Social Security retirement income received by family members. The estimates presented in this memorandum are based on a CRS analysis of U.S. Census Bureau Survey of Income and Program Participation (SIPP) data (2001 panel survey).

You should note that given recent Congressional interest in Social Security, information contained in this memorandum may be used by the Congressional Research Service (CRS) to answer other Congressional requests. Please call me at 7-7357 if you have questions relating to this analysis.

Children and Social Security

Children may be eligible for Social Security Benefits when a parent who is a covered worker, dies, becomes disabled, or retires. For children of disabled or retired workers, the child's benefit may be as much as 50% of the parent's primary insurance amount (PIA). Children of deceased workers may be entitled to benefits as large as 75% of the deceased parent's PIA. Child benefits generally apply to all biological children of a worker (assuming paternity/maternity has been established) and legally adopted children. Stepchildren, may be eligible in some cases as may some legally adopted grandchildren, with their benefits being determined on the basis of their grandparent's earnings record. Children may receive benefits until they reach age 18, and if a full-time student, until they reach age 19. Disabled children may receive benefits indefinitely as long as the disability was incurred before reaching age 22. In addition to receiving Social Security benefits in their own right, children may economically benefit from Social Security by living with other family members who receive benefits.

Social Security Administrative Data

Social Security Administration (SSA) data indicate that in December 2002, approximately 3.9 million Social Security beneficiaries, 8.4% of all beneficiaries, were children. (See **Table 1**). Among child beneficiaries, 1.9 million (49% of all child beneficiaries) were children of deceased workers, 1.5 million (39% of all child beneficiaries) were children of disabled workers, and about 477,000 (12% of all child beneficiaries) were dependent children of retired workers.

Table 1. Number of Social Security Beneficiaries and Average Monthly Benefit, by Type of Benefit, December 2002

| Type of benefit | Beneficiaries | | Average monthly benefit (dollars) | Aggregate monthly benefits | |
|-------------------------------------|---------------|----------------------|-----------------------------------|----------------------------|----------------------|
| | Number | Percent distribution | | Millions of dollars | Percent distribution |
| Total, OASDI | 46,452,550 | 100.0% | \$815.00 | \$37,859 | 100.0% |
| OASI | 39,232,330 | 84.5% | \$836.90 | \$32,834 | 86.7% |
| Retirement benefits | 32,362,130 | 69.7% | \$851.40 | \$27,553 | 72.8% |
| Retired workers | 29,203,660 | 62.9% | \$895.00 | \$26,137 | 69.0% |
| Spouses of retired workers | 2,681,090 | 5.8% | \$451.90 | \$1,212 | 3.2% |
| Children of retired workers | 477,380 | 1.0% | \$427.70 | \$204 | 0.5% |
| Survivor benefits | 6,870,200 | 14.8% | \$768.70 | \$5,281 | 13.9% |
| Children of deceased workers | 1,905,050 | 4.1% | \$584.20 | \$1,113 | 2.9% |
| Widowed mothers and fathers | 193,270 | 0.4% | \$636.70 | \$123 | 0.3% |
| Nondisabled widow(er)s | 4,563,660 | 9.8% | \$861.40 | \$3,931 | 10.4% |
| Disabled widow(er)s | 205,870 | 0.4% | \$546.20 | \$112 | 0.3% |
| Parents of deceased workers | 2,350 | 0.0% | \$770.10 | \$2 | 0.0% |
| DI | 7,220,210 | 15.5% | \$696.00 | \$5,025 | 13.3% |
| Disabled workers | 5,535,860 | 11.9% | \$834.10 | \$4,617 | 12.2% |
| Spouses of disabled workers | 151,260 | 0.3% | \$211.60 | \$32 | 0.1% |
| Children of disabled workers | 1,533,090 | 3.3% | \$245.00 | \$376 | 1.0% |
| Total child beneficiaries | 3,915,520 | 8.4% | \$432.31 | \$1,693 | 4.5% |
| Distribution of child beneficiaries | | | | | |
| Total child beneficiaries | 3,915,520 | 100.0% | \$432.31 | \$1,693 | 100.0% |
| Children of retired workers | 477,380 | 12.2% | \$427.70 | \$204 | 12.1% |
| Children of deceased workers | 1,905,050 | 48.7% | \$584.20 | \$1,113 | 65.7% |
| Children of disabled workers | 1,533,090 | 39.2% | \$245.00 | \$376 | 22.2% |

Source: Congressional Research Service (CRS) presentation of data from 2003 Annual Statistical Supplement to the Social Security Bulletin (Table 5.A1). Social Security Administration Publication No. 13-11700. July 2004.

In total, aggregate Social Security benefits paid on behalf of children in December 2002 amounted to nearly \$1.7 billion, or about \$20.3 billion on an annualized basis. In addition to Social Security benefits paid directly on behalf of children, benefits paid to retired, disabled, and surviving parents of children, or to other family members in which children live, contribute to the income status of children. Social security benefits paid on behalf of

children exceed federal dollars spent on cash welfare to families with children under the Temporary Assistance for Needy Families (TANF) program. In FY 2002, combined federal and state TANF expenditures, in the form of cash aid to families, amounted to an estimated \$10.419 billion, of which approximately \$4.848 billion (47%) were from federal funds.¹

While SSA administrative data provide a broad overview of the numbers of individuals receiving Social Security benefits and the type and amount of benefits received, it provides little information about the characteristics of individuals receiving benefits. In particular, you were interested in the income and poverty status of families in which children live, and the role of Social Security benefits (particularly Social Security survivor and disability benefits) on family income and poverty status of families with children.

Survey of Income and Program Participation Data

In order to address your question, we turn to U.S. Census Bureau Survey of Income and Program Participation (SIPP) data. The most recent SIPP data are from the 2001 panel, which interviewed a representative sample of families every four months over a 36-month period, from February 2001 to December 2003. The SIPP collects detailed information on family composition, labor force participation, income, and program participation among families and their members in each of the 36 months they are included in the survey. Estimates from SIPP December 2002 data are used to benchmark against the latest published administrative data (also December 2002) from SSA (**Table 1**). After making a benchmark comparison of SIPP estimates to administrative records, the remainder of the analysis in this memorandum relies on SIPP data for September 2003, the latest month in common for the full SIPP sample.²

Methodology – Identifying Child Social Security Beneficiaries on the SIPP

The SIPP collects information on Social Security receipt and the reasons for receipt for persons age 15 and over. Additionally, it collects information about whether an adult (person age 15 and over) collects Social Security on behalf of children under age 15. In such cases, however, it does not identify the specific children in the family for whom Social Security benefits are received, nor the specific reason(s) benefits are received on the child's behalf. Adults (persons age 15 and over) who report receiving Social Security benefits are asked for the primary reason they received Social Security (i.e., retired, disabled, widowed or surviving

¹ See CRS Report RL3223, *Cash and Noncash Benefits for Persons with Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 2000-FY2002*, by Vee Burke, p. 68.

² The SIPP is designed such that the Census Bureau staggers its interviews, with approximately one quarter of the sample being interviewed in each month. For example, one-quarter of the sample was initially interviewed in February 2001, recounting labor force participation, income and program participation information in the previous four months (October 2000 through January 2001). Another quarter of the sample was initially interviewed in March 2001, recounting information from November 2000 through February 2001). The last group of families comprising the SIPP sample were interviewed in April 2001, recounting information from January 2001 through March 2001. Consequently, January 2001 is the first month of data in common amongst the full SIPP sample. Similarly, final interviews were conducted 36 months after the initial interview, with final interviews being conducted from October 2003 through January 2004 for the four interview groups. Consequently, the last month in common among the full SIPP sample is September 2003.

child, spouse or dependent child, some other reason). Respondents are also allowed to provide a secondary reason they received Social Security (same allowed responses as the primary reason).

It is not possible to precisely identify the Social Security beneficiary status of children directly on the SIPP. Some adults state that they received Social Security on behalf of a child, or children, under age 15. However, in such cases it is uncertain whether all or only some children under 15 in the family are direct beneficiaries. If the adult reports receiving Social Security on behalf of a child, but reports no Social Security on his/her own behalf, it can be surmised that Social Security received on behalf of the child is likely to be in the form of survivor's payments. If the adult also reports receiving Social Security on his/her own behalf, as well as on behalf of the child, it is uncertain whether the child's reported reason for Social Security is the same as that stated by the adult, and if so, if it is due to the primary reason given, or if reported, a secondary reason. Moreover, some adults may include the child's portion of their Social Security benefit as their own, without explicitly indicating that they received Social Security on behalf of a child. It is uncertain, for example, if an adult specifies that they received Social Security disability, as to whether dependent children's benefits are included or not, and which children in the family should be considered to be receiving dependent benefits.

In this analysis, all children of a parent who are under the age of 15 are identified as directly receiving Social Security if the child's parent reported that they received Social Security on behalf of a child under 15. To some extent, this method will somewhat overstate the number of children under age 15 who received Social Security, as potentially only some, but not all, children of the parent may be beneficiaries in their own right.³ In December 2002, an estimated 1.4 million children under age 15 on the SIPP were so identified as directly receiving Social Security as child beneficiaries. Additionally, children ages 15 through 17 are classified as directly receiving Social Security if their parent reported having received Social Security on behalf of a younger child (under age 15). Approximately 472,000 children ages 15 to 17 were so identified as direct beneficiaries. An additional 55,000 children ages 15 to 17 reported directly receiving Social Security on the SIPP in December 2002. In cases where the only Social Security benefits reported by the parent were benefits reported as being received on behalf of a child, it's assumed here that the benefits are survivor's benefits. Additionally, children are identified as child beneficiaries if their parent reports receiving Social Security. In such cases, the primary reason for receiving Social Security reported by the parent is attributed to the parent's children; in December 2002, an additional 1.5 million children under age 18 were identified as child beneficiaries on the SIPP on this basis.

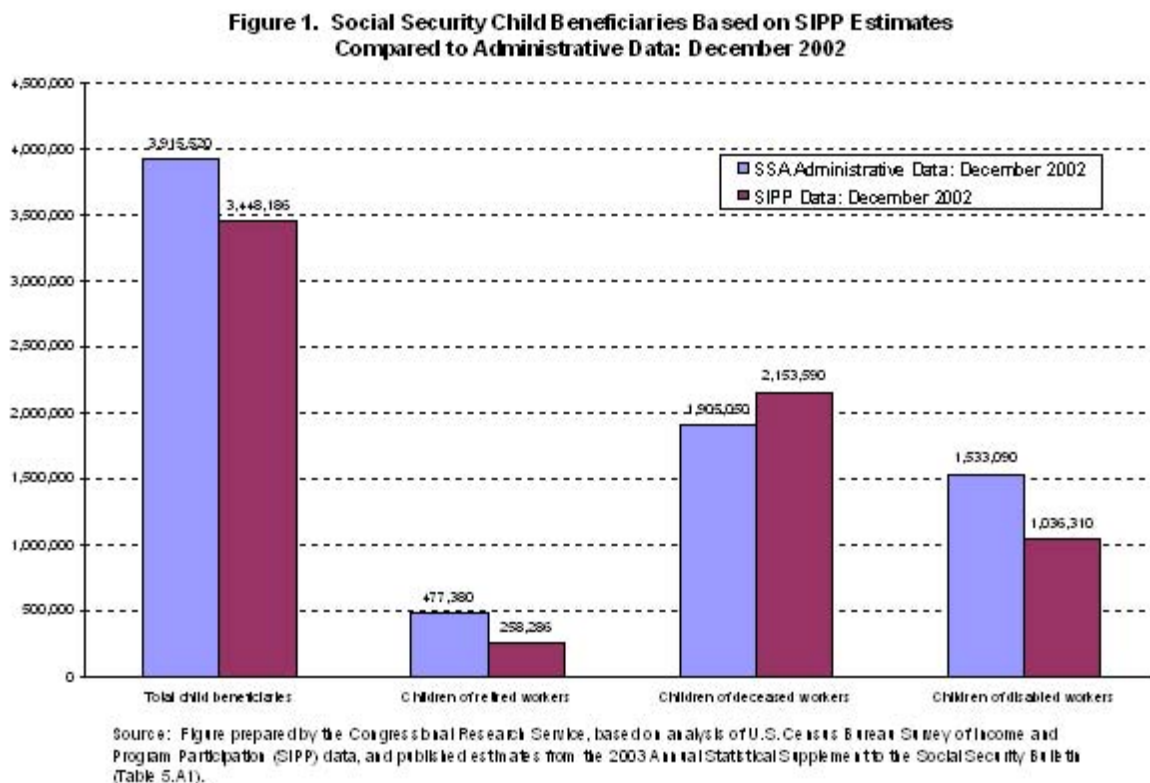
Based on methods described above, approximately 3.5 million children under the age of 18 were identified on the SIPP as Social Security beneficiaries. An additional 2.7 million children under the age of 18 were identified as non-beneficiaries living with some family member, other than a parent, who reported receiving Social Security. In total then, about 6.1 million children were identified in December 2002 as living in families in which Social

³ For example, some children of the parent may be surviving children from a previous marriage, and others adopted step children from a current marriage. In this case, the children from the previous marriage might be eligible for survivor's benefits, but the adopted step children from the current marriage would not.

Security benefits were reported, either on their own behalf, or on behalf of another family member.

Comparison of SIPP Estimates to SSA Administrative Counts – December 2002

Figure 1 compares estimates of the number of child beneficiaries in December 2002 from the SIPP with SSA administrative counts, by type of beneficiary. The figure shows, for example, that CRS estimates that there were approximately 3.5 million child beneficiaries on the SIPP, compared to about 3.9 million reported by SSA from administrative records. Accordingly, the SIPP estimates account for only about 88% of all child beneficiaries. Note that the SIPP estimates are only for children under the age of 18, whereas the administrative counts also include child beneficiaries age 18 and older, such as those who receive benefits as student dependents/survivors or as disabled children (i.e., disabled adult children). The SIPP data underestimate the number of child beneficiaries of retired workers (258,000 versus 477,000 from administrative records, or about 54% of the administrative count) and the number of child beneficiaries of disabled workers (1.0 million versus 1.5 million, or about 68% of the administrative count). Alternately, the SIPP data overestimate somewhat the number of children receiving survivor's benefits (i.e., children of deceased workers). The estimates from SIPP account for about 2.2 million child survivors, compared to 1.9 million child survivors accounted for by administrative data, or about 13% above the administrative count.

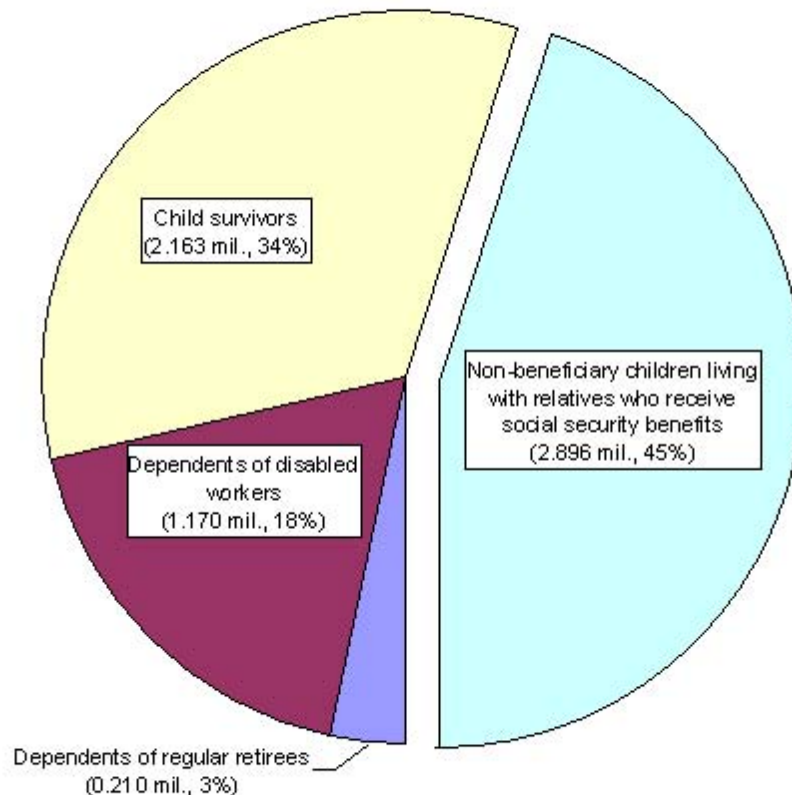


SIPP September 2003 Estimates

The estimates shown below are based on the same methodology described above, for December 2002, but apply to September 2003 SIPP data—the most recent data available.

Figure 2 shows the breakdown of children by Social Security reciprocity status. The figure shows that in September 2003, an estimated 6.4 million children lived in families in which one or more family members received Social Security. Approximately, 3.5 million children (55%) were estimated to be beneficiaries in their own right, and an additional 2.9 million (45%) were estimated to be non-beneficiaries who live with some other family member (other than a parent) who reported receipt of Social Security benefits.

**Figure 2. Children Under Age 18 in Families that Receive Social Security:
September 2003
(Universe: 6.439 million children)**



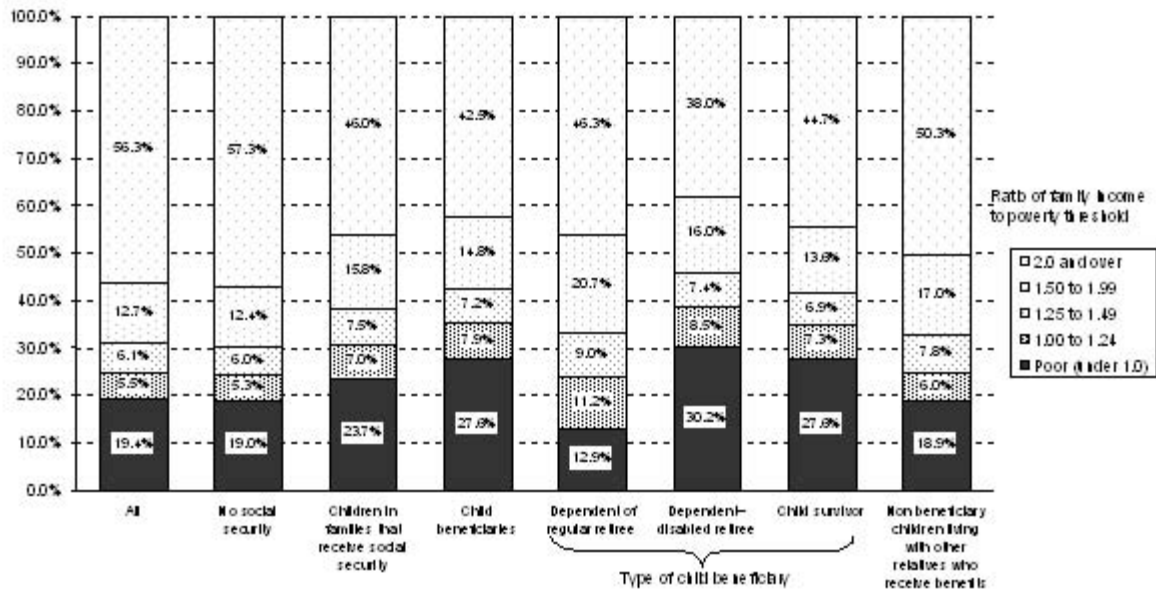
Source: Figure prepared by the Congressional Research Service, based on analysis of U.S. Census Bureau Survey of Income and Program Participation (SIPP) 2001 Panel data.

Figure 3 shows the poverty status of children based on total family income as multiples of the children's families' poverty thresholds. The figure shows, for example, that 19.4% of all children were poor in September 2003; 19% of children in families that received no income from Social Security were poor, as compared to 23.7% of children in families in which Social Security was received. Among child beneficiaries, nearly 28% were poor, as compared to only about 19% of children who were not beneficiaries in their own right, but lived with some other family member (other than a parent) who received Social Security. Among child beneficiaries, dependent children of retirees appeared to have the lowest poverty rate (about 13%), followed by children of deceased workers (about 28%) and children of disabled workers (about 30%).

Figure 4 is similar to **Figure 3**, but excludes Social Security income from total income in estimating children's poverty status. This measure of "pre-transfer" poverty is one

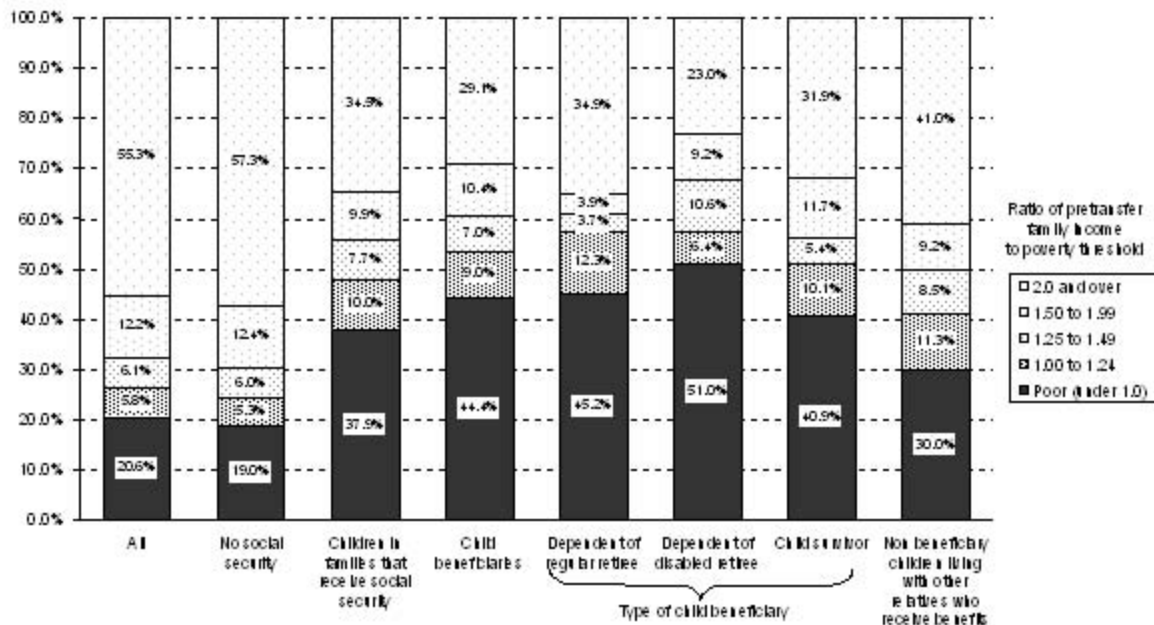
measure of the impact of Social Security benefits on reducing poverty among children. For example, the figure shows that nearly 38% of children in families that receive Social Security would be estimated to be poor based on total family income *excluding Social Security*. In contrast, about 24% of children in families are poor based on total income once Social Security is included (**Figure 3**). In such cases, Social Security contributes to about a 14 percentage point (nearly 38%) decline in child poverty among the 6.4 million children living in families that receive Social Security benefits. Social Security benefits lifted nearly 920,000 children above poverty in September 2003 (See **Table 2**).

Figure 3. Poverty Status Among Children in Families, by Social Security Reciprocity Status, September 2003



Source: Congressional Research Service (CRS) estimates from U.S. Census Bureau Survey of Income and Program Participation 2001 Panel data.

Figure 4. Pretransfer Poverty Status Among Children in Families, (Poverty Status Excluding Social Security Income from Total Family Income) by Social Security Reciprocity Status, September 2003



Source: Congressional Research Service (CRS) estimates from U.S. Census Bureau Survey of Income and Program Participation 2001 Panel data.

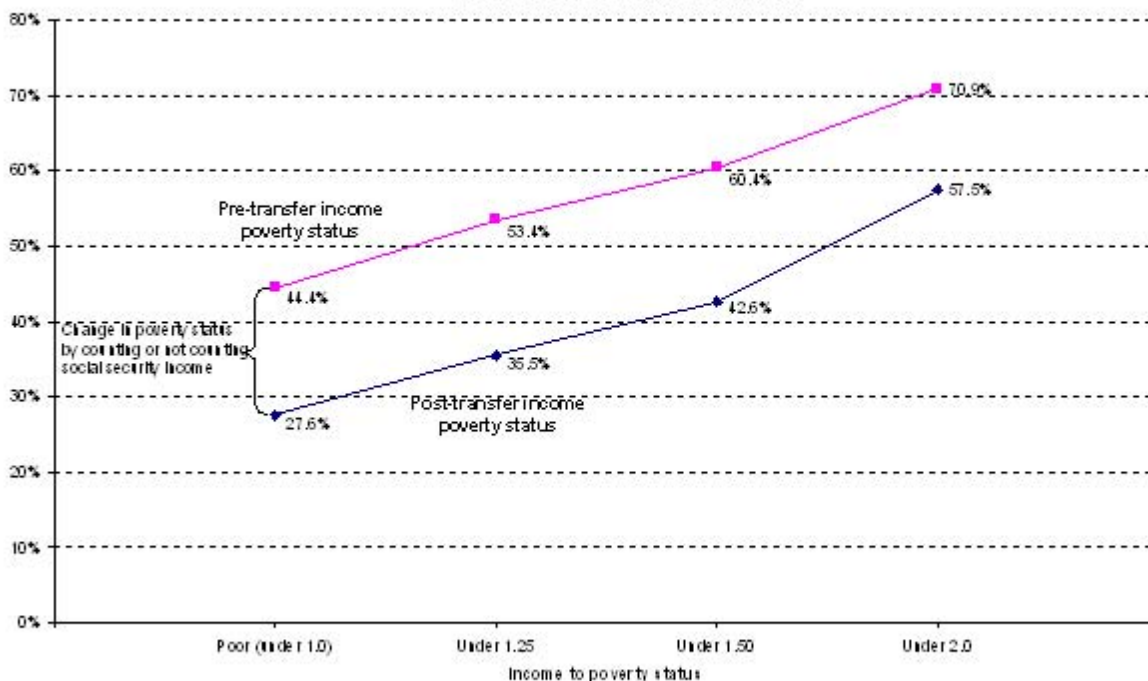
Table 2. Pre- and Post-Transfer Poverty Status of Children Under Age 18, by Social Security Reciprocity Status, September 2003

| | Total | Poor children based on total family income | | Poor children based on pre-transfer family income (excluding social security income) | | Social security's contribution in reducing poverty | | |
|---|------------|--|--------------|--|--------------|--|----------------------------|-------------------|
| | | Number | Percent poor | Number | Percent poor | Number | Percentage point reduction | Percent reduction |
| Total | 72,657,211 | 14,080,563 | 19.4% | 14,999,856 | 20.6% | 919,294 | -1.3% | -6.1% |
| No social security received by family members | 66,218,049 | 12,556,336 | 19.0% | 12,556,336 | 19.0% | 0 | 0.0% | 0.0% |
| Children in families that receive social security | 6,439,162 | 1,524,226 | 23.7% | 2,443,520 | 37.9% | 919,294 | -14.3% | -37.6% |
| Child beneficiaries | 3,542,957 | 976,433 | 27.6% | 1,574,598 | 44.4% | 598,165 | -16.9% | -38.0% |
| Dependents of regular retirees | 210,433 | 27,187 | 12.9% | 95,012 | 45.2% | 67,825 | -32.2% | -71.4% |
| Dependents of disabled retirees | 1,169,619 | 352,791 | 30.2% | 595,957 | 51.0% | 243,167 | -20.8% | -40.8% |
| Child survivors | 2,162,904 | 596,455 | 27.6% | 883,629 | 40.9% | 287,173 | -13.3% | -32.5% |
| Non beneficiary children living with other relatives who receive benefits | 2,896,205 | 547,793 | 18.9% | 868,922 | 30.0% | 321,129 | -11.1% | -37.0% |

Source: Congressional Research Service (CRS) estimates based on analysis of U.S. Census Bureau Survey of Income and Program Participation 2001 Panel data.

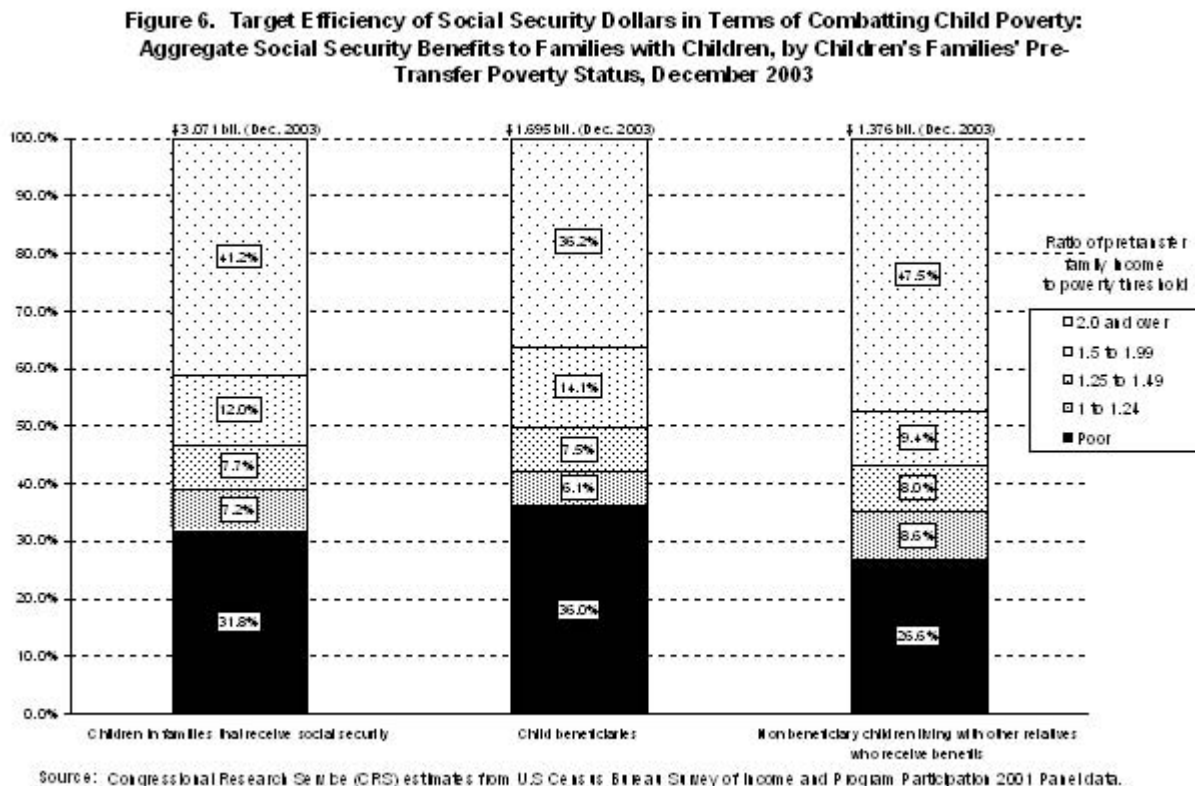
Figure 5 shows pre- post transfer (i.e., Social Security) poverty status for just *child Social Security beneficiaries*. The figure shows that approximately 44% of child Social Security beneficiaries would be considered poor, absent the counting of Social Security benefits; after counting such benefits, just under 28% are estimated to be poor. Over half (53%) of child Social Security beneficiaries have family incomes below 1.25 times poverty before counting Social Security benefits; after counting such benefits, just under 36% have incomes below this threshold.

Figure 5. Pre- Post-Transfer Poverty Status: Child Social Security Beneficiaries, September 2003
(Universe: 3.5 million children)



Source: Congressional Research Service (CRS) estimates from U.S. Census Bureau Survey of Income and Program Participation 2001 Panel data.

Figure 6 shows the relative share of estimated aggregate dollars going to children's families, based on their families' pre-transfer poverty status (i.e., poverty based on total income, excluding Social Security income the family reports receiving). The figure shows, for example, that based on SIPP data, families with children reported receiving nearly \$3.1 billion in Social Security benefits in September 2003, or about \$39 billion on an annualized basis. Of these benefits, nearly 32% (\$977 million, \$11.7 billion on an annualized basis) went to families who were poor based on their total cash income, *exclusive of the Social Security benefits they received*. Thus, nearly one out of three Social Security dollars paid to families with children goes to reducing poverty. Among families with child beneficiaries, nearly \$1.7 billion in Social Security benefits was reported in September 2003 (over \$20 billion, on an annualized basis). Of this amount, an estimated 36%, or \$611 million (\$7.3 billion on an annualized basis), went to families that had total incomes, *excluding Social Security*, below the poverty line.



Limitations

It should be noted that the estimates presented in this memorandum are based on survey data and are subject to respondent misreporting. Additionally, the SIPP data do not provide full detail to precisely identify child beneficiaries. To some extent, estimates may be affected by the methods used in the effort to identify children by their Social Security beneficiary status. It should also be noted that estimates of the pre-transfer poverty status of children (i.e., poverty status excluding Social Security from total income) provides one measure of the relative importance of Social Security in combating poverty. The pre-transfer poverty

estimates should not be confused with the effect on poverty of eliminating the Social Security program, as individuals would alter their behavior in absence of the program.